

Week Ending Friday, July 9, 1993

Interview With Foreign Journalists
July 2, 1993

Economic Summit

Q. What do you expect to be accomplished out of Tokyo summit? And what special roles do you see Japan can play in areas beyond economic constitution in—[inaudible]—of global partners with the United States?

The President. First, let me say I think the G-7 meeting will be a very important opportunity for the leaders of the major industrialized countries of the world to reaffirm their commitment to global growth, to democracy, and to security concerns. I believe there will be serious discussions about three issues on the economic front, one really perhaps for the first time.

The first is that I think there will be a real discussion about how we can coordinate our economic policies in ways that will produce growth. From the first week I was in office, we have spent a lot of time working through the finance ministers, the foreign ministers, and others to talk about how we can coordinate our strategies. For many years, other nations have asked the United States, for example, to lower the budget deficit. And we're working very hard on that, first through this \$500 billion deficit reduction program that has now been passed by both Houses of our Congress, then through taking on a health care problem which is the biggest source of our growing deficit. And we need to make sure we are coordinating those policies with things which will produce an overall higher level of growth than we now have. It's a big problem for the United States, because two-thirds of the new jobs we've created here in the last 5 years have come from increased trade with other nations. So if Europe is down economically, if Japan is down economically, it's hard for us to do well here. So I think there will be that.

The second issue I think that we will discuss and, I hope, make some genuine

progress on, creating a more open trading system and increasing the chances that we can successfully conclude GATT by the end of the year.

The third thing that I hope to see a very serious discussion on is the microeconomic policies of each of our nations and how we can all do a better job of creating jobs within our economy. Even Japan, with its very low unemployment rate by western standards, is having some trouble now creating new jobs. But it's a very big problem for the United States and for every other country represented around this room today.

And I think that increasingly in a global economy, national policy will have to focus on what the economists call microeconomic policies: What kind of labor support systems do you have; what kind of education and training systems do you have; how do you target investment to create jobs? The west, and increasingly Japan, are having difficulty creating new jobs, even in times of economic growth.

It's quite interesting. If you trace the last 6 or 7 years you can see that in all the western nations, even when there is growth, there is some trouble creating new jobs. So I think that this will all be—we'll deal with this, and I hope in a very informal and forthright atmosphere.

It will be an interesting summit, because there will be several of the people there attending their very first one, first G-7, all at the same time.

The second point you made about Japan's role in the world, I'm going to do what I can while in Japan to strengthen the bilateral relationship between the United States and Japan. In many, many ways it is our most significant bilateral relationship and the key to what happens between the United States and Asia. It's interesting, even though we have incredibly important ties to Europe, economic ties, we have a huge—40 percent of our trade is now with the Pacific. It ac-

counts for almost 2½ million jobs in America, trade with the Pacific. So it's a big issue. And we have major security concerns, as you know, with regard to Japan and with Korea.

So I'm very hopeful that even though Japan is going through a period of political transition, which I hope the Japanese people will view with excitement and interest, not with too much concern, this is a normal thing for a democracy. And periodically you go through these periods of significant change, and I view it as a positive thing for a great country. I think it will leave you stronger and in a better position in the world. So I hope we will discuss a lot of our bilateral economic as well as strategic concerns there. And I hope that when I leave Japan, our relationship will be even stronger than it is when I enter.

NAFTA

Q. Mr. President, there was a court decision this week that's a roadblock to ratification of the NAFTA agreement. Your administration has said that you will go ahead, but you don't appear to have a lot of wiggle room in Congress on some of your other economic initiatives. And I'm wondering, first of all, how you're going to ensure the passage of NAFTA. And secondly, on the eve of the summit, this raises the whole issue of the conflict between environmental concerns and economic growth, and whether it's drift nets in the Pacific or toxic waste in Mexico or the whole problem of aid to the former Soviet Union, that conflict between the environment and economic growth underlies a lot of these issues. And I'm wondering how you see reconciling those issues at the G-7.

The President. Let me mention the NAFTA first and then I'll answer the larger question.

First, on the narrow issue of the lawsuit, we announced within an hour after the court's decision that we would appeal. And we believe we can win an appeal, and we can win it within the appropriate time. There may also be some other avenues which will permit us to do some kind of environmental impact statement and still meet the time limit.

There is a strong opposition to the agreement in some quarters in the United States, and the relative economic problems that we all face now make that more difficult. That is, when unemployment is up and growth is down, people are more insecure. It makes some in Europe less enthusiastic about the GATT now. It's the same reason—it's just—a part of it is almost endemic to the human condition.

I do think we have the votes to pass NAFTA in the United States Senate. And I think that—and we do not have today the votes to pass it in the United States House. But I think we can get the votes to pass it essentially by doing three things:

First of all, by successfully concluding the agreements now subject to negotiation between Canada and Mexico and the United States to strengthen our common efforts at lifting labor standards and environmental quality, particularly along the Rio Grande River, which has been a huge problem.

And I should say by way of background for the rest of you, the reason the labor standards issue is so big is that there was a report issued in this country last year that indicated that the Caribbean Basin Initiative of the United States, where we tried to get investment in Caribbean countries and put plants down there, had not led to increasing the per capita incomes of the people working in those businesses; that because the people were so poor, that a lot of the people who had taken the money that the United States Government had put out had still depressed their wages and increased their profits. So we've given some thought to this labor standards issue here and the environmental issue. So I think if we get those agreements that will help.

The second thing that will help is if—we have to just make the case, you know. Now when we have an agreement, it's a lot easier to defend the jobs argument. Right now there's a simple argument against NAFTA being waged by, articulated by Mr. Perot in this country and others, that you can't make a trade agreement that takes down all the barriers with a country on your border with a per capita income that's only one-eighth as much as yours is. Everybody will take their money and invest in the other country. Well,

it has great superficial appeal, but the truth is that anybody who wants to go to Mexico and invest their money for low wages can do so today. But the market opening measures that have been taken by President Salinas in the last few years have led the United States from a \$5 billion trade deficit to a \$6 billion trade surplus with Mexico. Mexico is now our second biggest purchaser—manufacturer. And we are in effect—because Canada, as you know, is our biggest trade partner—we are now building this hemispheric economic bloc that we want. And so I think we can refute it on the merits.

The third thing we have to do is ask the economists to consider what will happen if we do not pass the trade agreement. Our relationships with Canada are secure, and we have a bilateral agreement, and that's fine. But we could go back in our relationships with Mexico, which would mean economic problems for Mexico, more trade barriers, fewer jobs in America, more illegal immigration. A lot of problems could develop for the United States if we do not do the NAFTA.

I think when those three things become crystal clear, we will prevail there.

Now on the larger issue, there is no easy or simple answer to the conflict between the environment and the economy in any of our countries individually or in the globe as a whole. However, I believe that our goal ought to be to find ways to make preserving the environment good economics.

At the Rio conference last year, Japan, Germany, and many other European countries were proving that you could do that because they were down there promoting environmental technology while the United States was trying to stop the environmental agreements. I think that our country was not as wise as many of the nations here represented in the way they approached the Rio conference. We have now signed on, the United States has, to the Biodiversity Treaty. And we have basically adopted a policy of long-term environmental preservation with an aggressive effort to figure out how to make jobs and incomes and prosperity flow out of that. And I believe that there are lots of opportunities to do that.

If I might just mention one, our bilateral aid package to Russia that is now making its

way to the Congress focuses heavily on what we can do with our technology to help them to reduce the problems that their nuclear industry—and not simply their bombs but their nuclear power plants, for example—present to them, and what else we can do in the area of energy and the environment to help to clean up their environment in ways that are good for their economy and good for ours. So I think there's a lot of opportunity there.

Uruguay Round and the G-7

Q. You just said in the beginning, Mr. President, that you hoped that Tokyo would, and I quote you, increase the chances of successfully concluding a Uruguay round by the end of the year. Can I turn that around and say do you think that a failure to do that would seriously jeopardize the whole G-7 process as it currently exists?

The President. Well, there are lots of other nations involved in the Uruguay round apart from the G-7. That was one point that Prime Minister Balladur made to me in our meeting here.

But I think that our job is to lead. And I know it is difficult to lead when you have troubles yourself. All of us have economic troubles. All of us, to a greater or lesser extent, have some political conflict within our countries. But I think that it is very important—and almost to change the atmosphere and the attitudes of the peoples of the G-7. Yes, we're having economic trouble. And the fact that we're all having it should be some indication that there is some sort of historic change going on here and not that there's some character flaw in our people or some great mental breakdown in our countries or something else. This is a tidal wave of global change going on here. But look at the resources we have: We have innovative work forces; we have great bases of technology; we have an understanding of how the world works economically. And I think we have within our power the means to move forward and break out of this problem we're in but only if we have the courage to keep changing.

And so I would say, to try to answer your question directly, there have been debates for years about whether the G-7 process accomplishes anything. But if nothing else, if

we can agree among ourselves to take an expansive view of the future and to talk about the strengths of our nations and to recognize that there are only three ways to grow our economies. One is through the changes we make internally, the microeconomic changes; the other is through coordinating our larger macroeconomic policies; and the last is through creating a more open system of trade so that there is global growth. It's hard for the wealthy countries to grow wealthier unless the people below us are getting wealthier and can buy more of our products. It's not a zero-sum game. And so I feel very strongly that we ought to come out of the G-7 with a more vigorous commitment to get the Uruguay round done.

Now let me just say what I have done in that regard. I have repeatedly said that the United States would bend over backwards to get that done this year, that there are changes that we would like to make. When the G-7 finance ministers and central bank heads were here not very long ago at Blair House across the street, I went over and personally met with all of them and reaffirmed my commitment to this. So I don't know what else I can do, except that I think a lot of this is a matter of attitude. We have to try to lift our own visions and lift the spirits of our people and realize that when you're in difficulty, the worst thing you can do is to hunker down, to withdraw.

When you have difficulties like this with a fundamentally sound system, the time is to change, to be innovative, to be creative, and to reach out. And I think that's what we've got to begin to do at the G-7. The tone, the atmosphere, the ideas that are discussed in that sense may be far more important than anything specific that comes out of the communique. What direction are we going to take the world in?

Global Economy

Q. Mr. President, nobody seems to be happy with the G-7 process, not to mention the results. I wonder if you could define for us—elaborate on what you just said—that the purpose of the G-7 in today's world and tell us what you would like to change.

The President. Well, I don't want to be too presumptuous, since I've never attended

one before. I've only read about them before. You know, I always followed them very closely. But what we are striving for—I think the other leaders agree with me, including those like Chancellor Kohl, who's been to many of these. My own view is there ought to be enough time at these G-7 meetings for a serious discussion among the leaders without a lot of bureaucratic procedures and rules and regulations about these big issues. What about the crisis in the wealthy countries creating jobs? What can we do to create more jobs? How do you explain the fact that France, for example—let's take France. France had a productivity growth rate that was the highest in Europe in some of the years of the late eighties and still had relatively high unemployment. The United States, which has far fewer labor supports than most of the European countries do, still has difficulty getting its unemployment rate below 7 percent. We're well into 2 years after the worst of our recession, and yet we are 3 million jobs behind where we would ordinarily be at this point after a recession.

We should discuss these things, and we should think about whether we can learn things from one another about how to create jobs in the west. We should be able to really talk through very frankly what the political and other economic barriers are to getting the GATT done and really think about it and talk about it. It's far more important than what's in the specific words of the communique, whether we come out of there with some sort of commitment to do something, to take action, and to move.

And finally, I think we ought to really focus on how our individual economic strategies may not work as well unless we are coordinated. Let me just give you one example. I'm trying to do something that our country has not done before. We are trying to dramatically cut our Government deficit at a time when our economic growth is slow. Traditional economic theory would say if you have a sluggish economy, you don't cut spending and raise taxes; you might do the reverse, right? Why am I trying to do that? Because we're in a global economy, and the United States deficit caused an imbalance in the global economy, okay? But now, this can work for us for a while just on our own, be-

cause we had so much debt in the 1980's accumulated at high interest rates, by bringing down the deficit, interest rates in America have dropped very low. So businesses and homeowners are going out now and refinancing their debt, and that puts a lot of new money into our economy. So I can get a little bit of growth just on what we do here. But in the end, this will only work if there is an expansionary policy in Japan, if Europe is able to resume a higher level of growth so that the system is brought into balance, because what we do has a complementary action in the rest of the G-7.

So these are the things, it seems to me, that really matter. And that's why I think these G-7 meetings can really make a difference. But I think that if we get all hung up on—you know, we all have to have these prepared statements, and we're afraid we're going to say one word out of the way or make one little mistake which makes a huge headline in some country. And then we've got to have every little word right in these communique. I think that's just—that takes a lot of time and energy away from what we should be doing, which is focusing on how we can make the lives of our people better and fulfill our responsibilities as leaders of the world.

U.S. Leadership

Q. Mr. President, you said earlier, speaking of G-7 leaders, that their job is to lead. Yet there's a broad perception that there is real friction and misunderstanding and doubts about U.S. willingness to lead, not only in the Japan-U.S. relationship, but in the U.S.-European relationship. Why has this happened and what can you do at the summit to clarify U.S. goals and reassure U.S. allies?

The President. Well, let me first of all take issue with you—I mean, not the perception.

The other nations of the world have asked the United States for years and years and years internally to do one thing. The only thing they ever asked of us internally was to do something about our budget deficit, which caused a significant imbalance in the global economic relations. I read about it for years before I became President. And we're doing that, and it is very tough to do in tough eco-

nomic times. And we're going to wind up with a very tough deficit reduction plan that we believe is good for our economy over the long run. And it's not been easy to do, but we are doing that.

Secondly, the major crisis this world has faced since I've been President, I think, was what would happen to democracy in Russia. And when it became apparent that democracy was in trouble in Russia because of what was happening with President Yeltsin, I immediately publicly supported him. I called every other leader in the G-7 and many others around the world and asked for people to support him. We all did. And I think that we had something to do with the outcome of events there.

I announced a \$1.6 billion aid package to Russia, and we have now, by the way, obligated well over half of that money. And then I announced another \$1.8 billion bilateral aid package to Russia which passed the House of Representatives with 75 percent of the vote almost last week, bipartisan support. It's going to fly through the Senate. The IMF gave their first installment, \$1.5 billion, to Russia the day before yesterday, and we're going to discuss that at the G-7 summit. I think—and that's a huge potential market for all of us and a major political issue. And I think that is the big issue we have faced, and I think we've done it very, very well.

Now, the only point of contention between us that I can see—we'll come back to the Japanese issue; you asked that and I haven't forgotten—but the only—in Europe is that we have not agreed entirely on how to handle Bosnia, although we've done a lot of work together. The United States has spent almost \$300 million in humanitarian assistance. We have strongly enforced and pushed for tougher sanctions and embargoes on Serbia. We believe and the Germans believe the arms embargo ought to be lifted on Bosnia. France and Britain and Russia disagree. I understand that. But that doesn't mean we can't do anything together. We are trying to work together. And this, I think everyone would admit, is the most difficult international problem that we face. I'm still hopeful that something humane, decent, and politically reasonable will emerge from this process before it's too late. But we all have a disagree-

ment on that, and I'm sorry we do. But we can't agree on everything. And this is a very difficult problem. I still think I was right about what was the best course. I think events subsequent to the Athens meeting prove that beyond question. But nonetheless, I don't think that's a reason for us to give up on the European alliance, give up on NATO, give up on the G-7. This is a tough problem.

With regard to Japan, I think everyone who has looked at the problem seriously thought there would have to be some realignment in our trade relations. And I think we're going to work that out. But there are lots of other things we have in common. Japan has supported the United States, and the United States has supported Japan in the things we've done to support democracy all over the world. Our security relationship is very strong. I intend to reaffirm my commitment to that when I'm in Japan, and my commitment to Korea and to Asia generally when I'm in Korea.

So I think a lot of this—let me—if I might, a lot of this uncertainty in Europe, particularly, is a function of two things. One is the economic problems that we all have which make people always just more insecure. And two is, I've only been President 5 months. And we have a new Government in France. We have a new Government in Italy. We have a new Government in Canada. And so a lot of these folks, we don't all know each other. And I think when people don't know each other, there is always a—but you're trying to get to know one another—there is the temptation to take whatever incident is in the moment and reach some huge encyclopedia of meaning in it, which may or may not be accurate.

So I think a lot of these things that you're talking about will be taken care of by meetings like this, by trips like this, and by constant working together. I will say—but every opportunity I've had to work with the other European leaders has been satisfactory. I had good cooperation between the United States and Italy, for example, when we were trying to reinforce the security of the U.N. forces within Bosnia, because the U.S. is committed to defend them if they're attacked, and everybody knows that. So I'm just a lot more hopeful about this than I think some are. I think

a lot of this is just a function of economic difficulties and new players who don't really know each other thoroughly yet.

Trade

Q. Mr. President, if I may go back to trade, I would like to know what do you say to the French, who have decided that they won't sign anything regarding GATT at the Tokyo summit up until the United States lifted or the Department of Commerce lifted the sanctions of steel, and we insisted that the United States accept the principle of multilateral mechanism to solve commercial conflicts.

The President. Well, those are two different issues. First of all, the action that was taken on steel was taken after a lot of deliberation, most of which was done before I became President, subsequent to United States law, which is clearly GATT-consistent. So, I think, you know, if the belief is that the United States has been wrong on the facts, then we can discuss the facts. But there is nothing wrong with our law, and it's not that different from the laws of a lot of other countries that are part of the world trading system.

Secondly, with regard to the trading mechanism, I have no problem with a multilateral mechanism to enforce trading agreements. But the GATT clearly contemplates that every country in the world, including France, should have the right to act in its own interest if the international system breaks down, which is not to say that you lose some rulings. But if there is no resolution of a crisis, the international system breaks down. All our Section 301 trade law does is to provide for some ultimate reservoir of authority for the United States to act unilaterally if the system itself breaks down. If France, for example, would like to propose a stronger multilateral decisionmaking process as a part of GATT before any country could act on its own, I would be more than happy to discuss that.

I do not see this Section 301 as giving the United States the authority, for example, to decide on its own about all these trade agreements and how they affect us without regard to what other countries want to do. That is not at all the way it is supposed to operate. It's supposed to operate only against coun-

tries that are not part of trading agreements at all, so we don't have a trade—countries with whom we have no multilateral agreements, or when there is a total breakdown of the GATT system in this case.

Bundesbank

Q. Mr. President, you raised today for the first time, I think, the question and the very important question of the structural impediments to growth. And so far you have and your Government has somehow created the impression that Europe and the difficulties in creating jobs should be loaded at the doorsteps of the Bundesbank. And yesterday you even said, "Well, this is a contribution to global growth." And you raised the expectation and the—that it was just a cyclical problem. Now, why didn't you come out before with this very strong statement that you are looking for structural impediments, that the G-7 should concentrate on doing away with structural barriers instead of pushing all the time the micro question—the macro question, excuse me?

The President. Well, first let me say that I have not criticized Germany in the past, but I have complimented them when the Bundesbank has lowered interest rates. [Laughter]

Q. But maybe for different reasons.

The President. And I know that because I realize that, first of all, all nations with independent central banks—and the United States has one, too; that is, the Federal Reserve—independent of the—all nations that have independent central banks are very sensitive about political leaders from within the nation telling them what to do and even more sensitive to suggestions from political leaders outside the nation's borders. And so what I have attempted to do is to say repeatedly, ever since I became President, that I thought that the extent to which we could coordinate the economic policies with Germany and the rest of Europe, and Japan, that that was a good thing. Coordinated economic policies for growth, and expanded trade, and smarter internal, microeconomic policies were all necessary to create jobs and growth in the world.

And when Germany—when the interest rates were lower a couple of days ago, I did

applaud that because I think it makes a contribution to growth. But I think—and the only reason that I—and I have done it not to be presumptuous but only to say that the United States was asked for years by its allies to deal with our budget deficit. We are now doing that, and we are getting the results that we hoped we would. We have a 20 year low in long-term interest rates, in home mortgage rates. We've had a 6 year high in housing sales. It's tailing off a little now but good housing sales. We've created more construction jobs in the first 4 months of this year than in any similar period for 9 years.

And the point I'm trying to make here is that there is a limit to what we can do for ourselves, and therefore what we can do for Europe and Japan in terms of buying more of your exports, unless all of us work together to promote growth. And obviously, because of the sheer size of the German economy and the power of Germany as an exporter, the condition of the German economy is critical to what happens to Americans. And you've had a very open trading philosophy. So I thought it was a positive thing, and I thought I should compliment it. But I think it's a delicate thing to talk about, because all of us who have ever suffered from runaway inflation have appreciated some measure of independence in our central banks. And yet all of us know that if the central banks are entirely insensitive to the economic growth needs of the country, we can't coordinate the strategy. So it's a delicate matter. And I don't wish to be seen as interfering, but I think when a bank does something that's clearly a plus for the German people and for all the rest of the world, it's not wrong for an American President to compliment it.

NOTE: The interview began at 10:45 a.m. in the Oval Office at the White House. Journalists participating in the interview were Graham Fraser, Toronto Globe and Mail, Canada; Alain Frachon, Le Monde, France; Carola Kaps, Frankfurter Allgemeine Zeitung, Germany; Rodolfo Brancoli, Corriere Della Sera, Italy; Osamu Shima, Yomiuri Shimbun, Japan; Jurek Martin, Financial Times, United Kingdom; and Paul Horvitz, International Herald Tribune. A tape was not available for verification of the content of this interview. This item was not received in time for publication in the appropriate issue.

Interview With Foreign Journalists

July 2, 1993

Economic Summit

Q. Mr. President, I want, first of all, to thank you very much for this opportunity, that let me tell you, we have not had for several years. So, I thank you.

And first of all, I want to ask you, this Tokyo trip, it's for you the first appearance on the international scene. But at the same time, the expectations have never been so low for a G-7 summit. You know the difficulties of the different countries and no trade agreement, Soviet aid, we don't know much, how it will go. So, sir, what do you really think to accomplish?

The President. Well, let me say, first of all, I think the direction of the G-7 meeting is more important than the declaration. I think you put too much, sometimes, stock in the statement. I think it's very important that as world leaders we recommit ourselves to a strategy of global growth, to a strategy of open trade, to seriously examining the problems we are all having with creating jobs, and to dealing with the common security issues that we face. I predict that we will have a very successful meeting as regards Russia. And I still believe that we can make a lot of headway on the issues of trade and global growth.

What we really need to do with all the economic problems our nations have and the political problems is to remind ourselves that these are still very great countries with enormous possibilities and a great future. And we need to sort of lift the spirits of the people and focus on what we can do instead of what we cannot do.

Security Issues

Q. With regard to the political issues, we still, as you said so many times, Mr. President, we live in still a very dangerous world with so many challenges and crises. For example, you probably knew that today three Italian peacekeepers have been killed in Somalia, a dozen injured. Sir, you go to Tokyo; have you some new ideas on how to confront this dangerous world, the challenges?

The President. Well, first of all, let me say that my trip to Tokyo is a trip to the

G-7 but also to Japan and to Asia. So one of the things that I intend to do is to make absolutely clear the United States' continuing commitment to engagement in Asia. I hope that we will have some time to talk at the G-7 about some of our other problems. But I would point out that the greatest security challenge we have faced in my judgment in the last 5 months was the threat to democracy in Russia. And the G-7 met the test. We rallied behind Yeltsin. We rallied behind democracy. We supported a free market economic reform in Russia. And I hope we will do so again at the G-7.

We have not solved the problem in Bosnia, and our nations are somewhat divided about it. It is a very difficult problem. But I do have some ideas about those things that I will be discussing with the other leaders.

Japan

Q. Mr. President, let me start my question with your view on Japan. Since you took office you've mentioned Japan several times. At times you were somewhat stern, expressing its remoteness from an open market. At times you were generous for expressing the relationship of the most important bilateral one for the United States. Which of your assessments is true to your feeling?

The President. Both. And let me explain why. First of all, I probably have more admiration for your country in more ways than any President who has ever served. I had the privilege of traveling to Japan many times. I actively sought Japanese companies to come to my State when I was a Governor. I believe you have a very great country with an even brighter future than your past.

I think that our relationship is based on our ability to stand up for our common security interests, to promote the values of democracy and free markets, and to have a reasonable trade relationship. I think that there are things that we need to do in our trade relationship that will benefit both of us.

I do not want to create American jobs at the expense of Japanese jobs. I think that changing the nature of the trading relationship is in the interest of both countries, and I don't think it's fair for an American President to ask another country to do something that's good for America but bad for the other